

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 4227
ANSWERED ON FRIDAY, THE 11th AUGUST, 2017/
SHRAVANA 20, 1939 (SAKA)**

NEW LEGISLATION TO CHECK FRAUD

QUESTION

4227. SHRI RADHESHYAM BISWAS:

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

कारपोरेट कार्य मंत्री

- (a) whether the Government proposes to bring in new legislative measures or to repeal the Companies Act, 1956 by bringing in a new Companies Act;**
- (b) if so, the details thereof and the reasons therefor; and**
- (c) the extent to which the replacement of the Companies Act is likely to help in checking frauds committed by the Companies against investors?**

ANSWER

**THE MINISTER OF STATE
IN THE MINISTRY OF CORPORATE AFFAIRS
कारपोरेट कार्य मंत्रालय में राज्य मंत्री**

**(SHRI ARJUN RAM MEGHWAL)
(श्री अर्जुन राम मेघवाल)**

(a) to (b):- The Companies Act, 2013 (the Act) was notified on 29th August, 2013 and replaces the Companies Act, 1956 to the extent the provisions of the new Act are commenced. All except three sections of the Act, and certain sub-sections/clauses, have been commenced as on date.

(c) Companies Act, 2013 has stringent provisions aimed at, inter alia, checking fraud and diversion of funds raised from investors. The term 'Fraud' has been defined and Section 447 of the Companies Act, 2013 provides for punishment for fraud, which is imprisonment of minimum of three years where the fraud in question involves public interest. This is expected to act as a deterrent for fraud against investors. Provisions are also made for reporting of a fraud observed during the course of audit by the Statutory Auditor to the Board of Directors in all cases and also to Central Government in specified cases.
